



May 16, 2025

The Honorable Gavin Newsom  
Governor of California  
1021 O Street, Suite 9000  
Sacramento, CA 95814

The Honorable Mike McGuire  
Senate President pro Tempore  
1021 O Street, Suite 8518  
Sacramento, CA 95814

The Honorable Robert Rivas  
Speaker of the Assembly  
1021 O Street, Suite 8330  
Sacramento, CA 95814

The Honorable Scott Wiener  
Chair, Senate Budget and Fiscal Review  
Committee  
1021 O Street, Suite 8620  
Sacramento, CA 95814

The Honorable Jesse Gabriel  
Chair, Assembly Budget Committee  
1021 O Street, Suite 8230  
Sacramento, CA 95814

The Honorable Christopher Cabaldon  
Chair, Senate Subcommittee No. 4  
1021 O Street, Room 7320  
Sacramento, CA 95814

The Honorable Sharon Quirk-Silva  
Chair, Assembly Subcommittee No. 5  
1021 O Street, Suite 4210  
Sacramento, CA 95814

**RE: Urgent Request to Halt the Scheduled Cannabis Excise Tax Increase**

Dear Governor Newsom, Senate President pro Tempore McGuire, Speaker Rivas, and Chairs Wiener, Gabriel, Cabaldon, and Quirk-Silva:

On behalf of a broad and united coalition representing hundreds of licensed cannabis businesses, tens of thousands of workers, and millions of patients and consumers across

California, we write in support of the Governor's May Revise proposals to strengthen the Department of Cannabis Control's authority to combat illicit market activity.

***Even more critical, we urge you to pair this enforcement proposal with a freeze of the cannabis excise tax rate at 15% in the 2025 Budget Act through trailer bill legislation, an essential step to preserve public health gains and stabilize the legal market.***

Without immediate intervention, the cannabis excise tax will increase by more than 25% (from 15% to 19%) on July 1, 2025, placing further strain on a legal market already struggling to survive.

***Let us be clear: this is not tax relief for cannabis businesses or an "industry bailout." The scheduled tax increase would leave consumers and patients holding the bill at a time when many are struggling with cost-of-living challenges.***

It would put public health and safety at greater risk, as the tax increase is sure to drive even more Californians to the illicit market — where products are unregulated, often dangerous, and untaxed, and where more than 60% of cannabis sales already take place.

The tax increase is also fiscally counterproductive. Research shows that cannabis consumers are highly price-sensitive: even a 1% differential in price can drive consumers away from the legal market ([Reason Foundation](#)). A 25% tax increase would accelerate this trend, and based on economic modeling, even a modest 10% drop in legal sales due to this tax increase would result in a multi-million-dollar net revenue loss for the state.

Lastly, the tax increase is ill-timed. For nearly five years, California's licensed cannabis market has been in a steep decline. From 2021 to 2024, annual licensed cannabis sales dropped by 34%, and state excise tax revenue fell by 13%, according to the [California Department of Tax and Fee Administration](#). The agency projected \$603 million in excise tax revenue for FY 2024-25, yet actual revenue declined further to \$594 million in 2024.

The warning signs are clear: Michigan, with just one-fourth of California's population, now sells more licensed cannabis than any other state. While California's legal market shrinks, Michigan thrives with lower taxes, fewer barriers to retail access, and policies encouraging consumers to participate in the regulated system.

Meanwhile, California's licensed cannabis businesses are disappearing at an alarming rate:

- As of early 2025, there are now more inactive or surrendered cannabis licenses (10,828) than active ones (8,514), as reported in [SFGATE](#). This stark reversal signals a market in distress.

- Most of these inactive licenses are for cultivation, with over 7,100 small farms closing due to economic pressures. However, manufacturers have been equally hard hit, with around 60% of manufacturing licenses — representing over a thousand California cannabis brands — surrendered or allowed to expire.

While a few inactive licenses may be linked to business consolidations or conversions, the overwhelming trend is clear: businesses are failing, and operators are exiting the legal market.

The industry also lost nearly 5,000 jobs in 2023, following devastating losses of 12,600 jobs in 2022 ([Vangst Jobs Report](#), 2024).

These numbers aren't just statistics — they represent thousands of Californians who have lost their jobs, life savings, family farms, and businesses.

***Bottom line? Raising taxes in this environment will only hurt California consumers, patients, farmers, businesses, government budgets, and the community initiatives funded by cannabis revenue.***

Furthermore, the Department of Cannabis Control's [2024 California Cannabis Market Outlook](#) report also confirmed what licensed operators already knew: cannabis taxes and fees in California amount to almost 78% of wholesale value compared to 8.4% for alcohol and 29.5% for tobacco. This disparity creates an untenable competitive disadvantage against the illicit market and other regulated industries.

[Assembly Bill 564](#) (Haney), which would freeze the excise tax at 15%, has received overwhelming bipartisan support, with no opposition votes in committee. The legislation is backed by legal cannabis operators, cannabis patients and consumers, local government, and labor organizations, underscoring the urgent need for relief.

Proposition 64 was explicit: taxes should ensure the competitiveness of the legal market. Voters supported a framework to eliminate the illicit market by offering consumers a safe, affordable, and regulated alternative. Increasing the cannabis excise tax now would betray that promise, making legal cannabis even more expensive, and pushing consumers back to unregulated, unsafe products.

***We respectfully request that language freezing the cannabis excise tax at 15% be included in the 2025 Budget Act trailer bill legislation.***

We thank you for your leadership and stand ready to collaborate on a solution that protects consumers, curbs the illicit market, safeguards jobs, and sustains vital tax revenue.

Governor Newsom, Senate President pro Tempore McGuire, Speaker Rivas, and Chairs Wiener, Gabriel, Cabaldon, and Quirk-Silva

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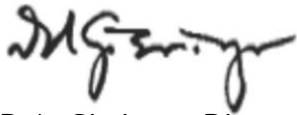
Sincerely,



Alex Freedman, President  
California Cannabis Operators Association



Wesley Hein, President  
Cannabis Distribution Association



Dale Gieringer, Director  
CalNORML



Caren Woodson, President  
California Cannabis Industry Association

*Stacey Wooten*

Stacey Wooten, Treasurer  
Good Farmers, Great Neighbors

CC: Members, California State Senate  
Members, California State Assembly  
Nicole Elliott, Director, Department of Cannabis Control